

Message Text

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62

ACTION ARA-20

INFO OCT-01 ISO-00 EUR-25 EB-11 COME-00 TRSE-00 CIAE-00

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FM AMEMBASSY NASSAU

TO SECSTATE WASHDC 5771

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E. O. 11652: N/A

TAGS: ECON BF

SUBJ: SONESTA BEACH HOTEL HANGS ON

REF: NASSAU'S A-177

1. TROUBLES FOR GENERAL BAHAMIAN COMPANIES ARE BEING COMPOUNDED BY FAILURE TO CONSUMATE SALE OF SONESTA BEACH HOTEL, IN WHICH GCB HAS A 40 PERCENT INTEREST. GCB LACKS CASH TO SATISFY CURRENT OBLIGATIONS AND NEEDS SOME INDICATION PROCEEDS WILL BE FORTHCOMING FROM SONESTA SALE.

2. SALE TO PROSPECTIVE CANADIAN BUYERS IS BEING BLOCKED BY GCOB, ALTHOUGH SONESTA OWNERS AND GOVERNMENT DENY BLOCKAGE AND MERELY SAY SALE HAS NOT YET BEEN APPROVED. BLOCKAGE REPORTEDLY DUE TO GCOB DISSATISFACTION WITH PROSPECTIVE BUYERS' PLANS TO RUN HOTEL AS CUT-RATE, HIGH TURNOVER OPERATION. HOTEL WORKERS UNION PRESIDENT DAVID KNOWLES, HOWEVER, TOLD AMBASSADOR AND EMBOFF HE SUSPECTS GCOB HAS ULTERIOR MOTIVE IN PREVENTING SALE: THEORY IS THAT GOVERNMENT WANTS TO BUY AS MANY AS THREE CABLE BEACH HOTELS (EMERALD BEACH, NASSAU BEACH AND SONESTA) AT DEPRESSED PRICES AND THEN ANNOUNCE PLANS TO BUILD A CONVENTION CENTER AND CASINO IN THE SAME AREA (NEITHER KNOWLES NOR EMBASSY CAN CONCEIVE OF WHERE GCOB WOULD RAISE NECESSARY FUNDS). CANADIAN OWNERS HAVE REPORTEDLY MET WITH DEPUTY PRIME MINISTER HANNA IN ATTEMPT TO PUSH SALE TO THEM THROUGH, SO FAR WITHOUT SUCCESS, ALTHOUGH THEY THINK

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THEY WILL HAVE DEFINITIVE WORD "ONE WAY OR THE OTHER" WITHIN

TWO OR THREE DAYS.

3. MEANWHILE, SONESTA DID NOT CLOSE JULY 6 AS SOME OBSERVERS EXPECTED. HOTEL IS CURRENTLY DOING GOOD BUSINESS, IS BEING CAPABLY MANAGED BY ROBERT SOUERS, AND APPARENT PLAN OF PRESENT OWNERS IS TO KEEP IT RUNNING TO THE LAST MINUTE AS A HEDGE AGAINST ULTIMATE ECONOMIC LOSSES.
SPIERS

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